

MARKET-BASED FINANCING IN MALAYSIA



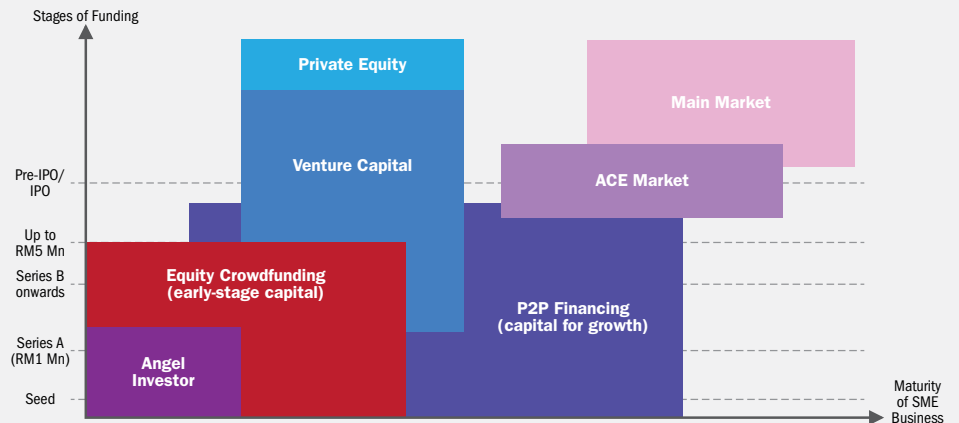
Equity Crowdfunding (ECF) in Malaysia

ECF and P2P financing are new digital business models which address gaps in seed capital and capital to grow SMEs.

Malaysia is the first country in ASEAN to introduce a regulatory framework to facilitate equity crowdfunding in 2015, with six registered platform operators fully operationalised in 2017.

The ECF platforms provide an alternative means for SMEs to raise seed capital.

TYPICAL BUSINESS LIFE CYCLE IN TERMS OF FUNDING



Key Features Based on Malaysian ECF Regulatory Framework



ISSUERS

- Only for Malaysian incorporated companies.
- A Maximum of RM3 million can be raised during a 12 month period and cumulative RM5 million.
- All or nothing funding model so money must be refunded if target not met.
- Possible for over subscription.



ECF MARKET OPERATORS

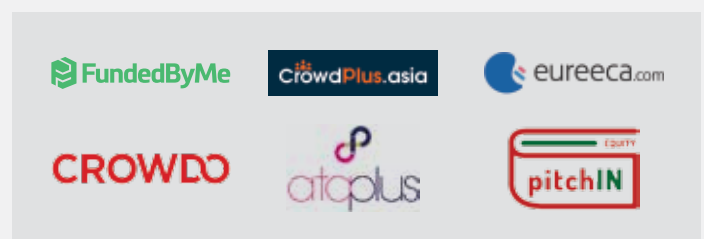
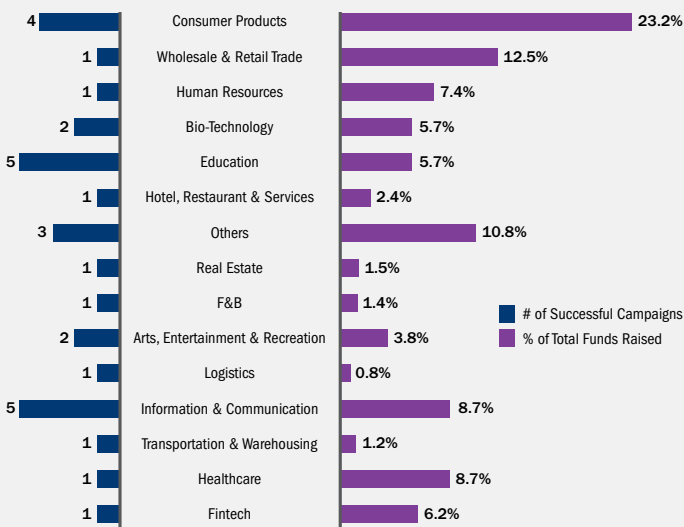
- Must be registered with the SC.
- Malaysian incorporated with a min of RM5 million.
- Due diligence on issuers: including conducting upfront checks, holding entrepreneurs and businesses accountable for the information they have provided to the operators, and, if necessary taking legal action for non-compliance.



INVESTORS

- Retail investors: max of RM5,000 per issuer with total amount of investment not more than RM50,000 within 12 months.
- Angel investors: A maximum of 500,000 in a 12 month period.
- There is no minimum required amount to invest, but is generally specified by issuer to operator.
- There are several risks to being an equity investor – business failure, lack of liquidity, dilution of shares.
- Return can be in the form of dividend or capital gain.

Statistics of the ECF Market in Malaysia



Source: Securities Commission Malaysia. Figures are as at end September 2017
 Note: One campaign report has not been submitted by the operator

MARKET BASED FINANCING

Peer-To-Peer Financing (P2P) in Malaysia

P2P financing is a web-based innovation that broadens the ability of entrepreneurs and small business owners to unlock capital from a pool of individual investors in small amounts and provides a quick turnaround time to obtain financing for their businesses, through an online digital platform.

For Malaysia, P2P Financing is targeted to serve SMEs to raise working capital and capital for growth.

The SC announced the regulatory framework for P2P financing in April 2016, and approved six P2P operators later in the year. As at September 2017, all six P2P operators are fully operational.

Key Features Based on Malaysian P2P Regulatory Framework



ISSUERS

- No personal loan allowed.
- Only for Malaysian-incorporated companies seeking financing.
- Rate of financing not more than 18% per annum.*
- No concurrent hosting on multiple P2P financing platforms for same purposes.
- No maximum funding limit imposed by SC.
- Issuers must raise at least 80% of the target financing amount.
- Oversubscription is not allowed.
- All info disclosed to operator must be true and accurate.

* Otherwise require prior consultation with SC



P2P MARKET OPERATOR

- Registered with SC as a Recognized Market Operator (RMO).
- Malaysian-incorporated company with a minimum paid-up capital of RM5 million.
- Conducts background checks and carries out risk scoring on each issuer before hosting on P2P website.
- Engages the services of an approved third party trustee service to avoid any co-mingling of funds: for both capital raised for issuers and the periodic repayments to investors.
- Appointment of Shariah Adviser registered with SC, where applicable.
- Must disclose on P2P platform:
 - Info relating to the issuers
 - Info on risk scoring mechanism, methodology and parameters
 - Default criteria, default management, statistics on late payment/default rate
 - Info on processes and contingency arrangement



INVESTORS

- No investment limit for sophisticated and angel investors.
- Retail investors are highly encouraged to limit P2P investment exposure at RM50,000 at any one time.
- SC does not prescribe any cooling-off period for investments through P2P financing platforms.

Statistics of the P2P Market in Malaysia

6
Number
of Operators

17.2
Total Amount
Raised
(RM Million)

418
Number of
Completed
Campaigns

50
Number of
Issuers for
Completed
Campaigns

Source: Securities Commission Malaysia

Note: Figures are as at 6th November 2017

FinPal

NUSA KAPITAL

AUXCO
P2P Financing

QuickKash

funding
societies

fundaztic